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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re:	:	Chapter 11 Case No.
	:	
LEHMAN BROTHERS HOLDINGS INC., <u>et al.</u>,	:	08-13555 (JMP)
	:	
Debtors.	:	(Jointly Administered)
	:	
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**STATEMENT OF OFFICIAL COMMITTEE OF UNSECURED CREDITORS IN
SUPPORT OF MOTION OF LEHMAN BROTHERS HOLDINGS INC. PURSUANT TO
FEDERAL RULE OF BANKRUPTCY PROCEDURE 9019 FOR AUTHORIZATION
AND APPROVAL OF CERTAIN SETTLEMENTS WITH
THE INTERNAL REVENUE SERVICE**

The Official Committee of Unsecured Creditors (the “Committee”) of Lehman Brothers Holdings Inc. (“LBHI”) and each of its affiliated debtors in possession (collectively, the “Debtors”) hereby files this statement in support of the *Debtors’ Motion of Lehman Brothers Holdings Inc. Pursuant to Federal Rule of Bankruptcy Procedure 9019 for Authorization and Approval of Certain Settlements with the Internal Revenue Service* [Docket No. 25949] (the “Motion”)¹ and respectfully states as follows:

¹ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

STATEMENT

1. The Committee supports the relief requested in the Motion, as being in the best interests of the Debtors, their estates and creditors.

2. For federal income tax purposes, LBHI is the parent of a group of primarily domestic subsidiaries with which LBHI files a consolidated federal income tax return (LBHI and such subsidiaries, the "Lehman Tax Group"). Lehman Brothers Inc. ("LBI") is a member of the Lehman Tax Group. Under applicable Treasury Regulations, each member of the Lehman Tax Group is severally liable for the federal income tax liability of the whole Lehman Tax Group for the tax years it was a member of the group. See Treas. Reg. § 1.1502-6.

3. The Internal Revenue Service (the "IRS") filed proofs of claim against each Debtor that is a member of the Lehman Tax Group and against LBI on account of the liability that, it alleges, the Lehman Tax Group owes for taxes, interest, and penalties for the 2001 through 2007 tax years (collectively, the "Tax Claim"). Each such proof of claim is approximately for \$2.2 billion. The IRS asserts the amount of the Tax Claim based on its audit of the Lehman Tax Group for the relevant tax years, as modified by certain settlements reached by the parties prior to the IRS filing the Tax Claim. LBHI, as the agent for the Lehman Tax Group, and the IRS have now agreed to settle twenty-six additional disputed issues (collectively, the "Settlements"), which represent a substantial portion of the issues underlying the Tax Claim.

4. LBHI and the IRS have spent years negotiating the Settlements, including exchanging extensive written submissions detailing their respective factual and legal positions and participated in numerous mediation sessions (for the Grouped Transactions), as well as the normal audit negotiation process (for the Other Issues).

5. The Committee was briefed by LBHI and its tax controversy counsel on the substance of the Grouped Transactions, LBHI's and the IRS's legal positions, and the risks attendant to litigating the issues in dispute with respect to the Grouped Transactions, as well as on all significant Other Issues and the settlements thereof. The Committee's advisors were also briefed daily during the mediation sessions.

6. Based on the merits of the Settlements and the fact that litigating with the Department of Justice (which acts for the IRS) each of the factually and/or legally complex issues involved would be protracted, expensive, and uncertain, the Committee believes that the Settlements are reasonable and in the best interests of the Debtors, their estates, and their creditors.

CONCLUSION

For the reasons set forth herein and in the Motion, the Committee respectfully requests that the Court (i) grant the relief requested in the Motion, and (ii) grant the Committee such other relief as is just.

Dated: New York, New York
March 19, 2012

MILBANK, TWEED, HADLEY & M^cCLOY LLP

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